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The Treasury Note

A monthly newsletter of California municipal finance.

April 1, 2003

UCLA Anderson Forecast

The UCLA Anderson Forecast issued its quarterly economic report on March 12, 2003. According to the Forecast the stagnant global information technology market will impede California's expansion in 2003. The Forecast projects the nation's economy to grow at a rate of 2.5 percent in the first half of 2003 with persistent and rising unemployment. By late 2003, it projects growth to increase to a range of 3 to 3.5 percent with persistent but declining unemployment. The Forecast reports that unemployment for the State is expected to average 6.7 percent in 2003 and 6.4 percent in 2004, which is 0.6 percent higher than the national rate for both years.

Edward Leamer, Director of the Anderson Forecast, reiterated his previous forecast for the nation, which called for less-than-normal growth until the end of this year, when businesses are expected to increase spending. Leamer also noted the Federal Reserve Board will likely keep interest rates unchanged for most of this year, until consumers begin actively purchasing goods and services. He stated, however, that this increase in purchases may lead to inflationary pressure on the economy. According to Leamer, sustainable economic growth for the nation will need a strong resurgence of business investment, steady increases in savings by consumers, and sustainable levels of sales of new cars and homes. He also pointed out economic growth cannot rely solely on more consumer spending. He suggests that state and local governments should continue spending and avoid severe budget cuts.

Tom Lieser, Senior Economist with the Anderson

Forecast, reported that the State's budget deficit is primarily a symptom of the economic weakness and not the cause. He also noted the budget deficit will not curtail the State's economic recovery but could potentially reduce the State's growth rate for several years. The forecast reported that California has to balance its operating budget through a combination of restrictions in spending and increases in revenues. He suggested these spending cuts should refrain from affecting employment levels, and any tax increases should be temporary and not substantially affect discretionary spending. Additionally, Lieser noted that a resolution of the state budget problem would send a positive message to the business community.

The forecast for 2004 reported significant improvement in income, employment, and sales as compared to 2002 and 2003. Personal Income levels are expected to improve at rates from 1 percent in 2002 to 3 percent in 2003, with an expected increase in the growth rate to 5.3 percent in 2004. The nonfarm employment level also is expected to improve from a rate of negative 0.9 percent in 2002 to 0.7 percent growth in 2003, with an expected improved growth rate at 2.2 percent in 2004. Taxable sales levels show improvement as the growth rate in 2003 is forecasted to be 3.8 percent, up from a negative 1.5 percent in 2002, with a projection of 5.8 percent in 2004.

In summary, the forecast calls for slow economic growth in 2003 for California, with significant improvements in 2004 from 2002 levels.

Redemptions & Defeasances

The listing below reflects officially announced redemptions and defeasances as of April 1, 2003.

State Public Works Board of the State of California, Lease Revenue Bonds (Library and Courts Annex Building Complex), 1993 Series A, Dated Date: February 1, 1993 (Partial Redemption).

\$8,140,000 of the bonds (CUSIP Number 13068GMJ2) due May 1, 2013, and \$10,890,000 of the bonds (CUSIP Number 13068GMK9) due May 1, 2018 will be redeemed on May 1, 2003.

State of California Veterans General Obligation Bonds, Series BD, BE and BF, Dated Date: March 1, 1995 (Partial Redemption).

All of the bonds due February 1, 2006, 2016 and 2027 (CUSIP Numbers 130623SX0, 130626DY7, and 130626FB3), will be redeemed on May 1, 2003.

State of California Veterans General Obligation Bonds, Series BJ-7 and BJ-8, Dated Date: December 1, 1999 (Partial Redemption).

All of the bonds due December 1, 2013, 2014, 2015, 2016, 2018, 2024 and 2032 (CUSIP Numbers 130629PF9, 130629PG7, 130629PH5, 130629PJ1, 130629PK8, 130629PL6, and 130629PM4) will be redeemed on May 1, 2003.

State of California Veterans General Obligation Bonds, Series BJ-9 and BJ-10, Dated Date: April 27, 2000 (Partial Redemption).

All of the bonds due December 1, 2018, 2024 and 2032 (CUSIP Numbers 130629VU9, 130629VV7 and 130629VW5) are being on May 1, 2003.

State of California Veterans General Obligation Bonds, Series BJ-12, Dated Date: December 19, 2000 (Partial Redemption).

\$4,510,000 of the bonds due December 1, 2032 (CUSIP Number 13062NCE5) will be redeemed on May 1, 2003.

Bond Sales Calendar

If you are interested in purchasing any of the bonds listed below, please contact your broker two weeks before the sale date. For up to date information, check our website (www.treasurer.ca.gov) or contact *Investor Relations* at (800) 900-3873.

PROPOSED BOND SALES ^(1, 2)	AMOUNT ⁽¹⁾	SALE DATE ⁽¹⁾
Public Works Board – Various Projects	\$40 million	March 26, 2003
General Obligation Bonds – Variable Rate/Auction Rate	\$1.4 billion	March 27, 2003
California Consumer Power & Conservation Financing Authority – Energy Efficiency Master Trust Revenue Bonds	\$30 million	April 3, 2003
General Obligation Bonds – Fixed Rate	\$2.0 billion	April 23, 2003
Golden State Tobacco Securitization Corporation – Tobacco Securitization Bonds (Second Sale)	\$2.0 billion	April 2003
California Infrastructure and Economic Development Bank – State Revolving Fund	\$75 million	Summer 2003
General Obligation Bonds – Fixed Rate/Restructuring	\$1.75 billion	June 2003
California Infrastructure and Economic Development Bank – Bay Bridge Seismic	To Be Determined	Summer/Fall 2003

¹ Subject to change

² Economic refundings may be added
